

LONDON & ASSOCIATED

PROPERTIES PLC

RETAIL PROPERTY INVESTORS



Annual Report & Accounts 2003

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Annual General Meeting
Monday 7th June 2004

Payment of final dividend for 2003
Friday 9th July 2004 (if approved)

Announcement of interim results to 30 June 2004
September 2004

Announcement of results for the year ended 31 December 2004
Mid March 2005

Financial Highlights

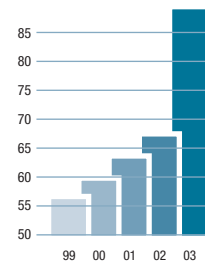
“The year under review has been an outstanding period of growth in our investment portfolio in terms of property values and rental levels. This growth reflects both our intensive management programmes which saw record rents achieved at a number of our centres, and the strength of the underlying market.”

John Heller Chief Executive

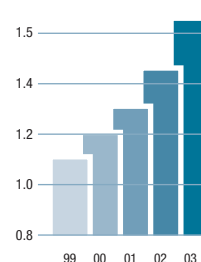


- Diluted net asset value per share increased by 32% to 88.58p
- Pre-tax profits rise by 15% to £2.8 million
- Final dividend of 1.525p per share, an increase of 7%, reflecting a five year compound growth of 8.5%
- £220 million of shopping centres under management for Group
- Gross rental income including share of joint ventures £11.4 million
- Gearing was reduced to 42% from 79%
- Sales of mature properties realised £16 million.

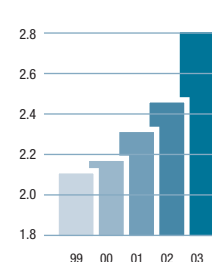
Fully diluted net assets per share
Pence



Dividend per share
Pence



Profit before tax
£m



Chairman's Statement

I am delighted to report a very successful year for London & Associated Properties with a strong performance from both our wholly owned and jointly owned investment portfolio of centrally located shopping centres. This year's results reflect our longstanding strategy of actively managing our centres to grow income and enhance values.



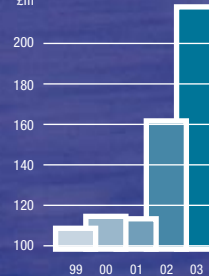
Fully diluted net asset value per share has increased by a substantial 32% to 88.58p as at 31 December 2003, from 66.98p a year ago. The principal reason for this strong result is that our shopping centres and those in Analytical Properties, our joint venture with Bank of Scotland, have risen in value by 12% and 7.5% respectively, reflecting both our management input and a strong shopping centre investment market. Additionally, to a lesser extent, we have received a further boost from the exemption of some of our properties from the stamp duty land tax which has added £1.7 million to our net assets. These net assets are now £72.8 million including our listed portfolio at market value. This compares with £54.2 million last year.

We also took advantage of the strong market for retail property, by continuing our strategy of disposing of investments where we regarded immediate growth prospects as limited. I am pleased to report that we achieved sales of some £16 million during 2003. This is in excess of book value and takes

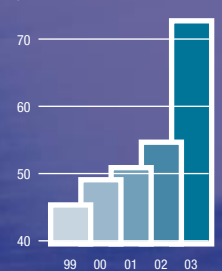
I am delighted to report a very successful year for London & Associated Properties with a strong performance from both our wholly owned and jointly owned investment portfolio of centrally located shopping centres.



Group properties under management
£m



Net assets
£m



disposals over the past two years to over £22 million, almost a quarter of our wholly owned portfolio. The cash proceeds from these sales offer us tremendous scope to invest in our remaining large town centre investments, to acquire new property as opportunities present, and to grow Analytical Properties.

Our profits before tax rose in 2003 by 15% to £2.81 million from £2.45 million on gross rental income, including our share of joint ventures, of £11.4 million against £8.3million in the previous year. Direct rental income from our own portfolio totalled £7.9 million over the period compared to £8.0 million in 2002. This is despite the loss of rental income following our property sales referred to above.

We contracted a net incremental £416,000 of rent on our currently owned portfolio which will flow through to profits. We expect further increases in rental income from our own portfolio during 2004 as additional rent reviews and lease renewals are settled. Our current annualised rent roll, following disposals, is £7.3 million and the estimated rental value currently stands at £8.1 million.

The Board is recommending a final dividend of 1.525p per ordinary share, an increase of 7% which, if agreed by shareholders, will be paid on 9 July 2004 to those shareholders on the register as at 2 April 2004. Over the past five years, the dividend will have grown by a compound 8.5% per annum.

The major event of the year was undoubtedly last August's £50 million off-market purchase, through Analytical Properties, of the Church Square Shopping Centre in St Helens. LAP invested £3.9 million of cash. Church Square forms the dominant part of St Helens' prime retail core and generated, at the time of acquisition, net annual rents of £3.6 million from 87 shop and two office tenants including BHS, Boots, Next and River Island. I am pleased to report that already we have agreed new lettings and rent reviews which have added £210,000 per annum to the annual rent roll there.

Analytical's two shopping centre investments have been independently valued at £107.8 million compared to a combined purchase price of £95.3 million net of costs. Analytical's other shopping centre investment is King Edward Court, Windsor which we acquired in December 2002.


Today, LAP directly owns or manages retail property on behalf of Bisichi, Dragon and Analytical with a gross value of approximately £220 million which produces a gross annual rent of £18.7 million. This compares to £160 million and £12.8 million last year.

Our strategy remains to invest exclusively in shopping centres that form a significant part of the prime retail pitch in their respective town or city. Our intensive approach to managing them includes refurbishment and part redevelopment, to create better sized units and improve the

tenant mix. Some of these programmes, such as our proposal for Windsor, require significant capital investment. During 2003, we invested £3.4 million improving and upgrading our directly owned portfolio; a report of the progress in each of our major centres' management programmes is covered in the Chief Executive's review.

Our associate company, Bisichi Mining plc, has had an extremely satisfactory year with pre-tax profits more than doubling from £628,000 in 2002 to £1.475 million. Through its South African subsidiary Bisichi now mines more than 1 million tonnes of coal a year and has recently acquired important additional reserves adjacent to its existing operation. Dragon Retail Properties, our joint venture with Bisichi, also performed strongly and net assets grew by 27% from £2.2 million in 2002 to £2.8 million following a series of strong lettings and property disposals.

Finally I would like to thank my Board colleagues and all the LAP staff for their hard work over the last 12 months in achieving these very good results. I anticipate that 2004 should be another satisfactory year for your company.



Michael Heller, Chairman
22 March 2004



Chief Executive's Report

The year under review has been an outstanding period of growth in our investment portfolio in terms of property values and rental levels. This growth reflects both our intensive management programmes which saw record rents achieved at a number of our centres, and the strength of the underlying market.

At the end of December 2003 the gross value of LAP's directly owned property portfolio, comprising town centre shopping centres, was valued at over £94 million. This figure was achieved after disposals of some £16 million and represents a rise of over 12% on a like-for-like basis.

Our joint venture with Bank of Scotland, Analytical Properties, produced a strong uplift in values of 7.5% to £107.8 million. Analytical owns two major shopping centres that were acquired for a total consideration of £95.3 million net of costs. Today LAP owns or manages on behalf of Analytical Properties, Dragon and Bisichi some £220 million of retail property which generates £18.7 million a year in rental income.



Rental income from our directly owned properties was £7.9 million per annum against £8.0 million in 2002. We also contracted £416,000 of incremental rent on an annualised basis.

This additional rental income has come as a direct result of the intensive property management and investment programmes which are a central theme of our investment strategy. We are now reaping the benefits of these programmes which have increased rents per square foot by creating more lettable space which attracts higher quality tenants and on which we are able to command higher rents.



The major event of the year was undoubtedly last August's £50 million off-market purchase, through Analytical Properties, of the Church Square Shopping Centre in St Helens.



Church Square comprises, in two separate buildings, 87 shops, two office blocks and the town's market.

Void levels within our centres remain extremely low at some 2% of total rental income. Naturally this has also underpinned rental growth, as the limited supply of space has led to premium rents from tenants wishing to be represented within our centres.

At Orchard Square, Sheffield, we successfully completed the new Clark's Shoes shop in time for Christmas and it is trading strongly. This project required the amalgamation of five smaller units and the new unit was let at £105,000 per annum, £55,000 per annum more than was paid previously. This represented a record

rent per square foot for Orchard Square. In an adjacent unit we took a surrender from a longstanding tenant who had not invested in the store for some time. We re-let the unit to fashion retailer Fat Face at a rent of £56,000 per annum, again a record rent. Both Clark's and Fat Face are prestigious names and typical of the retailers we are attracting to Orchard Square and which form part of our strategy to continually improve this centre. We have also created a new canopied entrance to Orchard Square and erected banners to the side of the Centre to further increase its prominence on Fargate.

The impact of the work we have undertaken can be seen from the footfall figures which have risen by around 15% in the last two years alone. Our rent review programme has also benefited from these initiatives and we contracted an incremental annual rent of £141,000 at Orchard Square during 2003.

At The Mall in Dagenham we have reconfigured a prominent, but poorly shaped, unit to create two smaller shops at a cost of around £350,000. We let one unit to Ethel Austin at £37,500 per annum while the second, which is being extended at the rear, has been pre-let to



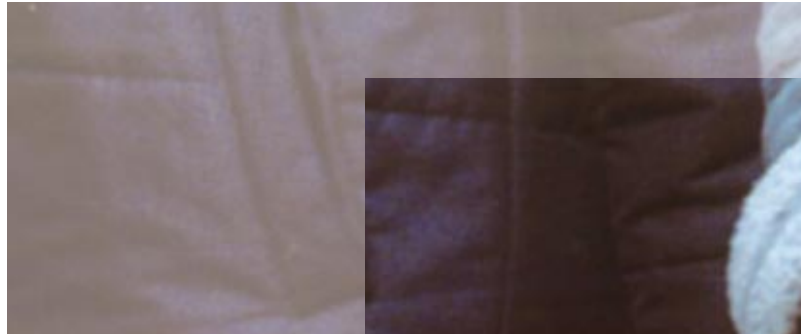
Under LAP's management Church Square is already performing well and we have exceeded the demanding targets set by us and Bank of Scotland when the purchase was completed. Much of the empty space available at that time has been let to first class retailers.



Bon Marche at £45,000 per annum. The two units will generate £82,500 a year in rental income on completion compared with £45,000 in the old format.

At Saxon Square, Christchurch, we successfully completed a round of rent reviews that has added approximately £85,000 per annum of income to the rent roll. The centre remains fully let apart from some space at the rear that we are holding for redevelopment and where we hope to build 10 residential units and a 5,000 sq ft shop.





At Kings Square, West Bromwich, we completed a new unit on land adjacent to our centre and let it to Corals at a rent of £30,000 per annum. The cost of constructing this unit was around £240,000. There is still significant demand among retailers for space in Kings Square and we are working hard to find ways of satisfying this demand.

Analytical Properties made another significant investment this year with the £50 million acquisition of the long leasehold interest in Church Square Shopping Centre in St Helens. This price reflected a net initial yield of 7.1%. Church Square is the largest centre we have acquired to date and comprises, in two separate buildings, 87 shops, two office blocks and the town's market.

Analytical has owned Church Square since August 2003. Under LAP's management it is already performing well and we have exceeded the demanding targets set by us and Bank of Scotland when the purchase was completed. Much of the empty space available at that time has been let to first class retailers including Savers, Cool Trader and Frenzy Shoes.

We are making good progress with the rent review and lease renewal programme and, including the above new lettings, we have already contracted £210,000 per annum of additional rental income. We expect further progress in the near future since we are looking to finalise a number of additional reviews and renewals which will add significantly to the rent roll.





At Orchard Square, Sheffield, we successfully completed the new Clark's Shoes shop in time for Christmas and it is trading strongly. This project required the amalgamation of five smaller units and the new unit was let at £105,000 per annum, £55,000 per annum more than was paid previously. This represented a record rent per square foot for Orchard Square.



The strong demand for our centres that was evident in 2003 has so far continued into 2004. I therefore look forward to another successful year.

Discussions are also underway with the local authority to extend Church Square. This will create large anchor units in what is currently regarded as the weaker end of the town. Although these plans are at a preliminary stage they have been well received and we are developing more detailed proposals in conjunction with our design team and letting agents.

At Analytical's other major shopping centre, King Edward Court in Windsor, we continue to make satisfactory progress. We spent much of last year working closely with the local authority to finalise plans for a proposed redevelopment of a substantial part of the shopping centre. We submitted a planning application in January 2004 to create 100,000 sq ft of new retail space and a 113-bed hotel. We anticipate this major development will cost a total of £15 million.

There has been an enthusiastic response from potential occupiers and much of the retail space is already under offer to leading fashion names. Several supermarket operators are interested in the space that we are creating above these fashion retailers. We continue to negotiate with them and anticipate putting this space under offer in the near future. The proposed hotel has been pre-let to Travelodge on a 25 year lease at an initial rent of £475,000 per annum, equivalent to over £4,200 per room.

We have commenced a significant lease renewal programme in the Centre. This programme will benefit from the most recent letting to soft furnishings multiple Morada at a rent of £77,500 per annum, equating to £101 per sq ft Zone A. We have also completed the first shop lease renewal during our ownership, which pre-dated the Morada letting, at £97 per sq ft Zone A.



At the time of acquisition we estimated the rental value of the shops at King Edward Court to be £92.50 per sq ft Zone A.

Analytical's gross income at King Edward Court rose during 2003 to £4.92 million from £4.55 million while net income increased to £3.8 million from £3.5 million. During the year we also completed a new letting to The Purple Picture Gallery at £37,500 per annum against a previous rent of £34,000 per annum in that unit, and we agreed a lease renewal on a first floor office suite to Rank Hovis McDougall at a new rent of £54,000 per annum compared with £47,250 per annum.

It has been our policy for some time to recycle our capital into fewer, larger shopping centres where we see greater opportunities and economies of scale. Consequently, we took

advantage of the current strong demand for retail property and sold a number of investments that we regarded as mature. In total we sold some £16 million of properties, or 17% of our portfolio. Over the past two years we have sold over £22 million, representing about a quarter of our properties by value.

The largest sale, at £12.2 million, was the Brunel Centre in Bletchley, which was disposed of in November following completion of a new 35,000 sq ft building, most of which we had pre-let to Wilkinson, a national chain of stores. Our leasehold interest in the Union Centre, Wednesbury, was sold to Sandwell Metropolitan Council for £2 million. The remaining sales were mainly of smaller properties where we had extracted the maximum value from them over the past few years.

Following such a comprehensive disposal programme I do not expect to continue selling properties at this rate. We do, however, currently have one further property under offer and we shall continue to look critically at the portfolio.

The strong demand for our centres that was evident in 2003 has so far continued into 2004. I therefore look forward to another successful year.

John Heller.

John Heller, Chief Executive
22 March 2004



At The Mall in Dagenham we have reconfigured a prominent, but poorly shaped, unit to create two smaller shops. The two units will generate £82,500 per annum compared to £45,000 in the old format.



Finance Director's Report



This has been an extremely active year for the Group. We have taken advantage of strong market conditions for retail property and have completed £16 million of sales of mature properties. We have also invested approximately £3.4 million in improvements to our wholly-owned properties. A further £3.9 million was invested in Analytical Properties, our joint venture with Bank of Scotland, to purchase the Church Square Shopping Centre, St Helens.

Cash Flow

As a result of the above property sales, together with cash generated from our own resources, the cash and facilities available to us has increased by £6.3 million to £20.3 million. This will rise further as new revolving credit facilities are put in place.

Some of the proceeds of our property sales were used to repay £5.3 million of term debt. This reduced total long term debt to £41.6 million, with the shortest element repayable in 2009. £21.7 million (52.2% of the company's debt), is at fixed rates of interest, with the balance linked to LIBOR.





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Profit and Loss

The average interest rate paid has risen slightly to 7.3% from 7.0% last year, reflecting the £5.3 million repayment of variable rate debt during the year. Group interest payable is £5.6 million, of which £2.2 million relates to joint ventures and associated companies. The remaining £3.4 million (2002: £3.6 million) is covered 1.7 times by the Company's net income (2002: 1.6 times).

Taxation

The tax charge for the year equates to 14.4% (2002: 24.7%) of our pre-tax profits. This reduction in the charge is primarily the result of movements in the deferred tax charge reserve, due to the release of the provision for the capital allowances relating to the properties sold, under the FRS19 Accounting Standard.



Balance Sheet

During the year our property assets grew by 12% on a like-for-like basis and our listed investments have risen to show a surplus of £876,000 over cost. The net assets of the Group rose by 34% to £72.8 million (2002: £54.2 million), while diluted net assets per share rose by 32% to 88.58p (2002: 66.98p), including current assets at market value.

Gearing has fallen to 38.6% (2002: 79.4%), net of listed investments. If we exclude cash held as agents of our joint venture, gearing is 42.4%.

A notional adjustment for "fair value" of our long term debt is currently 4.83p per share (2002: 5.69p). This would equate to a reduction in net assets of £3.9 million (2002: £4.6 million). It remains our policy not to repay long term debt early.

Dividend

A dividend of 1.525p is recommended, an increase of 7% on last year and showing compound growth of 8.5% over the last five years. The dividend is covered 1.94 times by profits after tax.

We have been looking closely at the new reporting requirements for the year ending December 2005 under the new International Financial Reporting Standards (IFRS). I will report more fully on these requirements and their effects on the presentation of the accounts next year.

Our associate company Bisichi Mining plc, in which we hold a 42% stake, produced pre-tax profits of £1.475 million, an increase of 135% over the previous year's £628,000. This reflects the further improvements made at its coal mining subsidiary during the year.

Dragon Retail Properties, our joint venture with Bisichi, also had another strong year with net assets growing by a further 27% to £2.8 million in the year.

Our current financial strength is a direct result of our prudent management of the company finances. We have built up a substantial cash reserve and this will enable us to seize opportunities as and when they present themselves.



Robert Corry, Finance Director
22 March 2004

At King Edward Court in Windsor, we submitted a planning application in January 2004 to create 100,000 sq ft of new retail space and a 113-bed hotel. We anticipate this major development will cost a total of £15 million.



Directors and advisers

Directors

* **Michael A Heller MA FCA (Chairman)**

#† **Barry J O'Connell (Non-executive)**

Barry O'Connell retired as chief executive of KP Foods, part of United Biscuits (Holdings) PLC, in 1991. He has been a member of the board since May 1988. He is the senior independent director and chairman of the remuneration committee.

† **L C John Brown FCA (Non-executive)**

John Brown is chairman of the audit committee. He has been a director since 1986. He practised as a chartered accountant for many years, both in the United Kingdom and the United States of America.

Robert J Corry BA FCA

† **Howard D Goldring BSC (ECON) ACA (Non-executive)**

Howard Goldring has been a member of the Board since July 1992 and is a global asset allocation specialist. He is chairman of DAM which manages investment portfolios and provides global asset allocation advice to pension funds and private clients. From 1997-2003 he was consultant director on global asset allocation to Liverpool Victoria Asset Management Limited.

John A Heller LLB MBA (Chief executive)

Michael C Stevens FCA

Secretary & registered office

Michael C Stevens FCA,
8-10 New Fetter Lane,
London EC4A 1AF

Director of property

Mike J Dignan FRICS

* Member of the nomination committee

Senior independent director

† Member of the audit, remuneration and nomination committees.

Auditors

Baker Tilly

Principal bankers

Bank of Scotland
Barclays Bank PLC
HSBC Bank PLC
National Westminster Bank PLC
Royal Bank of Scotland PLC

Solicitors

Olswang
Charles Russell
Dickinson Dees, Newcastle-upon-Tyne
Halliwell Landau, London
Kuit, Steinart, Levy & Co, Manchester
Pinsents, Leeds
Wragge & Co, Birmingham

Stockbrokers

Credit Lyonnais Securities Europe

Registrars & transfer office

Capita Registrars, The Registry,
34 Beckenham Road, Beckenham,
Kent BR3 4TU
Telephone 0870 162 3100

Company registration number

341829 (England and Wales)

Website

www.laprops.co.uk

E-mail

Admin@laprops.co.uk



Directors' report

The directors submit their report and the audited accounts, for the year ended 31 December 2003.

Activities

The company is a property investment company, deriving income primarily from rents, and from dividends, trading listed investments, and its share of results of the joint venture and associated companies. The company holds 42 per cent of the issued ordinary share capital of Bisichi Mining PLC which operates in England and South Africa, and is listed on the London Stock Exchange. The Bisichi Group is involved in overseas mining and mining finance, UK retail property investment and investment in listed securities. The review of activities during the year is contained in the Chairman's statement, and the results for the year are shown in the consolidated profit and loss account on page 24.

Dividends and shares

The directors recommend the payment of a final dividend for 2003 of 1.525p per ordinary share (2002: 1.425p). The final dividend will be payable on 9th July 2004 to shareholders registered at the close of business on 2 April 2004. As in past years, it will be proposed that shareholders are granted the opportunity of electing to receive all or part of the final dividend in the form of fully paid ordinary shares rather than cash. In May 2003 495,000 shares were issued under the terms of the Inland Revenue approved share option scheme. Also in May 2003 the company bought back 321,120 shares which were then cancelled. In July 2003 1,132,592 (2002: 1,026,675) new shares were issued to shareholders who elected to receive shares in lieu of cash for the final dividend for 2002 paid in July 2003.

Investment properties

Ninety-nine per cent of the freehold and long leasehold properties were externally revalued as at 31 December 2003 by external professional firms of chartered surveyors - Allsop & Co., London (95.0 per cent of the portfolio), and Hill Woolhouse, Leeds (4.4 per cent) and the remaining properties were valued by the directors. The valuations, which are reflected in the financial statements, amount to £94.1 million (2002: £95.8 million). The properties owned by the joint ventures, Analytical Properties and Dragon Retail Properties were also revalued together with the properties of the associate, Bisichi Mining PLC. The group revaluation reserve increased by £14.04 million (2002: £0.15 million).

Directors

M A Heller, L C J Brown, R J Corry, H D Goldring, P S Hawkings, J A Heller, B J O'Connell and M C Stevens were the directors of the company during the year. Patrick Hawkings retired at the Annual General Meeting on 4 June 2003. He continues as a consultant to the Board. L C J Brown, R J Corry and J A Heller are retiring by rotation and offer themselves for re-election.

Brief details of the directors offering themselves for re-election at the Annual General Meeting are as follows:-

John Brown has been a non-executive director of the company since 1986, and has a contract of service determinable at three months notice. He is Chairman of the audit committee, and a member of the remuneration and nomination committees. John Brown is a chartered accountant who has spent much of his career in public practice in the United Kingdom and the United States.

Robert Corry has been Finance Director since September 1993. He has a contract of employment determinable at six months notice. Robert Corry is a chartered accountant and has worked in the retail and real estate sector for many years.

John Heller has been a director since March 1998, and was appointed as Chief Executive in September 2001. He has a contract of service which is determinable at twelve months notice.

Directors' interests

The interests of the directors in the ordinary shares of the company, including family and trustee holdings, where appropriate, were as follows:

	Beneficial interests		Non-beneficial interests	
	31 Dec 03	1 Jan 03	31 Dec 03	1 Jan 03
M A Heller	4,871,757	4,871,757	20,492,762	19,847,231
L C J Brown	95,842	74,600	6,086	2,000
R J Corry	34,676	3,195	-	-
H D Goldring	2,080	2,080	-	-
P S Hawkings	* 219,813	219,813	-	-
J A Heller	1,010,000	1,010,000	† 15,492,762	† 14,847,231
B J O'Connell	120,033	115,032	-	-
M C Stevens	329,211	321,748	+ 329,413	+ 315,688

* at date of retirement, 4 June 2003.

† These non-beneficial holdings are duplicated with those of M A Heller.

+ The non-beneficial interest of M C Stevens arises by reason of his being a director of London & Associated Securities Limited, a company which acts as a trustee.

No director had any material interest in any contract or agreement with the group during the year other than as shown in this report. (Please see note 23 and the directors' remuneration report).

No changes in these holdings have taken place since the balance sheet date.

Substantial shareholdings

M A Heller and his family have an interest in 44.9 million shares of the company, representing 55.2 per cent of the issued share capital. Funds managed by Exeter Asset Management Limited held 3.4 million shares at 31 December 2003 representing 4.2 per cent of the issued share capital. There have not been any material changes to these holdings since 31 December 2003.

Payment of suppliers

The company and the group agree the terms of contracts when orders are placed. It is group policy that payments to suppliers are made in accordance with those terms, provided that suppliers also comply with all relevant terms and conditions. Trade creditors outstanding at the year end represent 9.2 days annual trade purchases (2002: 12.6 days).

Corporate governance

Throughout the year the company has complied with the provisions of Section 1 of the Combined Code for Corporate Governance. The audit and remuneration committees consist entirely of non-executive directors, and the nomination committee consists of non-executive directors plus the chairman. The membership of the committees is set out on page 15.

Principles of corporate governance

The group's Board appreciates the value of good corporate governance not only in the areas of accountability and risk management but also as a positive contribution to business prosperity. It believes that corporate governance involves more than a simple "box ticking" approach to establish whether a company has met the requirements of a number of specific rules and regulations. Rather the issue is one of applying corporate governance principles (including those set out in Section 1 of the Principles of Good Governance and Code of Best Practice ("the Combined Code") published by the Stock Exchange in June 1998) in a sensible and pragmatic fashion having regard to the individual circumstances of a particular group's business. The key objective is to enhance and protect shareholder value.

Board structure

During the year the Board comprised the Executive Chairman, the Chief Executive, two other Executive Directors, B J O'Connell, being the senior independent Non-Executive Director and three other Non-Executive Directors. Their details appear on page 15.

The Board is responsible to shareholders for the proper management of the group. A statement of directors' responsibilities in respect of the accounts is set out on page 23. The Non-Executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully considered. To enable the Board to discharge its duties, all Directors have full and timely access to all relevant information and there is a procedure for all Directors, in furtherance of their duties, to take independent professional advice, if necessary, at the expense of the group. The Board has a formal schedule of matters reserved to it and meets monthly. It is responsible for overall group strategy, approval of major capital expenditure projects and consideration of significant financing matters.

The following committees, which have written terms of reference, deal with specific aspects of the group's affairs.

- The Nomination Committee is chaired by B J O'Connell and comprises the Non-Executive Directors and the Executive Chairman. The Committee is responsible for proposing candidates for appointment to the Board, having regard to the balance and structure of the Board. In appropriate cases recruitment consultants are used to assist the process. All Directors are subject to re-election at least every three years.
- The Remuneration Committee is responsible for making recommendations to the Board on the Company's framework of Executive remuneration and its cost. The Committee determines the contract terms, remuneration and other benefits for each of the Executive Directors, including performance related bonus schemes, pension rights and compensation payments. The Board itself determines the remuneration of the Non-Executive Directors. The Committee comprises the Non-Executive Directors. It is chaired by B J O'Connell. The report on Directors' remuneration is set out on pages 20 and 21.
- The Audit Committee comprises four of the Non-Executive Directors and is chaired by LC John Brown. Its prime tasks are to review the scope of external audit, to receive regular reports from Baker Tilly and to review the half-yearly and annual accounts before they are presented to the Board, focusing in particular on accounting policies and areas of management judgment and estimation. The committee is responsible for monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders. The committee acts as a forum for discussion of internal control issues and contributes to the Board's review of the effectiveness of the group's internal control and risk management systems and processes. The committee also considers the need for an internal audit function. It advises the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and discusses the nature and scope of the audit with the external auditors.

The committee, which meets at least twice a year, provides a forum for reporting by the group's external auditors. Meetings are also attended, by invitation, by the Chief Executive and group Finance Director.

The Audit Committee also undertakes a formal assessment of the auditors' independence each year which includes:

- a review of non-audit services provided to the Group and related fees;
- discussion with the auditors of a written report detailing all relationships with the company and any other parties that could affect independence or the perception of independence;
- a review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and
- obtaining written confirmation from the auditors that, in their professional judgement, they are independent.

An analysis of the fees payable to the external audit firm in respect of both audit and non-audit services during the year is set out in note 2 to the financial statements.

Internal control

The directors are responsible for the group's system of internal control and reviewing its effectiveness.

The Board has designed the group's system of internal control in order to provide the directors with reasonable assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period. However, no system of internal control can eliminate the risk of failure to achieve business objectives or provide absolute assurance against material misstatement or loss.

The key elements of the control system in operation are:

- The Board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clear lines of responsibility defined and with appropriate delegation of authority;
- There are established procedures for planning, approval and monitoring of capital expenditure and information systems for monitoring the group's financial performance against approved budgets and forecasts;
- The departmental heads are required annually to undertake a full assessment process to identify and quantify the risks that face their businesses and functions, and assess the adequacy of the prevention, monitoring and modification practices in place for those risks. In addition, regular reports about significant risks and associated control and monitoring procedures are made to the executive directors. The process adopted by the group accords with the guidance contained in the document "Internal Control Guidance for Directors on the Combined Code" issued by the ICAEW.

The Audit committee receives reports from external auditors on a regular basis and from executive directors of the group. During the period, the Audit Committee has reviewed the effectiveness of the system of internal control as described above. The Board receives periodic reports from all committees.

There are no significant issues disclosed in the report and financial statements for the year ended 31 December 2003 and up to the date of approval of the report and financial statements that have required the Board to deal with any related material internal control issues.

The directors confirm that the Board has reviewed the effectiveness of the system of internal control as described during the period.

Communication with shareholders

Communication with shareholders is given a high priority. Extensive information about the Group and its activities is given in the Annual Report and Accounts, and the Interim Report, which are sent to shareholders. Further information is available on the company's website, www.laprops.co.uk.

There is a regular dialogue with institutional investors. Enquiries from individuals on matters relating to their shareholdings and the business of the group are dealt with informatively and promptly.

Disapplication of Section 89, Companies Act 1985

The Companies Act 1985 provides that if the directors wish to issue new securities for cash, they must be offered to current holders of shares in proportion to the number of shares they each hold at that time. The existing authority disapplying this pre-emption right conferred by a special resolution at last year's Annual General Meeting is soon to expire and therefore it is proposed that the existing authority is renewed at the forthcoming Annual General Meeting as set out in **Resolution 9** in the notice of Annual General Meeting on page 45. **Resolution 9** authorises the directors to allot for cash ordinary shares to be issued in connection with rights issues and generally otherwise than in accordance with statutory pre-emption rights up to an aggregate nominal value of £406,984 which is equivalent to 5 per cent of the issued ordinary share capital as at 31 December 2003 (and 5 per cent of the issued ordinary share capital as at 22 March 2004). The proposed authority will expire at the conclusion of the next Annual General Meeting and in any event will terminate not later than 15 months after the passing of the resolution.

Scrip dividend

In **Resolution 10** at the Annual General Meeting the company is seeking authority for the directors to exercise the power contained in the Articles of Association to permit the shareholders to elect to receive shares instead of all or part of the final dividend and to capitalise the appropriate amount of additional ordinary shares falling to be allotted pursuant to the election out of the distributable profits of the company which would have been distributed to members by way of cash dividend.

Purchase of own ordinary shares

The effect of **Resolution 11** to be proposed at the Annual General Meeting would be to give the company, for a period of one year, a general authority to purchase a maximum of 8,139,674 of its own ordinary shares of 10 pence each (representing approximately 10 per cent of the company's issued share capital). The minimum price (exclusive of expenses) which the company would be authorised to pay for each ordinary share would be 10 pence (the nominal value of each ordinary share). The maximum price (again exclusive of expenses) which the company would be authorised to pay would be not more than 5 per cent above the average middle market value (as derived from the London Stock Exchange Daily Official List) for such ordinary share for the five business days preceding the purchase.

If granted the authority would only be exercised if to do so would result in an increase in earnings per share or asset values per share and would be in the best interests of shareholders generally.

Going concern

The directors confirm that they have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in the preparation of the financial statements.

Other matters

The company is not a close company as defined by the Income and Corporation Taxes Act 1988. Baker Tilly have expressed their willingness to continue in office as auditors. A proposal will be made at the Annual General Meeting for their re-appointment.

By order of the board
M C Stevens, Secretary
22 March 2004

8-10 New Fetter Lane
London EC4A 1AF

Remuneration report

The remuneration committee is pleased to present its report for the year ended 31 December 2003.

Remuneration policy for executive directors and non-executive directors

The principal function of the remuneration committee is to determine, on behalf of the Board, the remuneration and other benefits of the executive directors and senior executives, including pensions, share options and service contracts. The company's policy is to ensure that the executive directors are rewarded competitively in relation to other companies in order to retain and motivate them. The emoluments of each executive director comprises basic salary, a bonus at the discretion of the remuneration committee, provision of a car, premiums paid in respect of individual defined contribution pension arrangements, health insurance premium and share options. The remuneration of non-executive directors is determined by the Board, and takes into account additional remuneration for services outside the scope of the ordinary duties of non-executive directors. No pension costs are incurred on behalf of non-executive directors and they do not participate in the share option schemes.

Service and employment contracts

All executive directors have full time contracts of employment with the company. Non-executive directors have contracts of service. No director has a contract of employment or contract of service with the company, its joint venture or associated companies with a fixed term which exceeds twelve months. All directors' contracts, as amended from time to time, have run from the date of appointment. Details of the directors standing for re-election are given under 'Directors' in the directors' report.

The following information has been audited:

Directors' Remuneration

	Salary £'000	Bonus £'000	Pension Contributions £'000	Benefits £'000	Total 2003 £'000	Total 2002 £'000
<i>Chairman</i>						
M A Heller	7	-	-	35	42	34
<i>Executive directors</i>						
R J Corry	131	32	26	15	204	175
J A Heller	180	113	15	25	333	223
M C Stevens	102	12	20	10	144	129
Total executive remuneration	420	157	61	85	723	561

The number of directors having benefits accruing under money purchase pension schemes was 3 (2002- 3).

	Board Fees £'000	Benefits £'000	Total 2003 £'000	Total 2002 £'000
<i>Non-executive directors</i>				
L C J Brown	17	-	17	15
H D Goldring	20	2	22	17
P S Hawkings	9	-	9	16
B J O'Connell	17	-	17	15
	63	2	65	63
Total remuneration for directors' service during the year			788	624

PS Hawkings, who retired as a director on 4 June 2003 continued to serve as a consultant. His remuneration in the period 5 June to 31 December 2003 was £9,000.

Directors

Although M A Heller receives reduced remuneration in respect of his services to the group, the group does supply office premises, property management, general management accounting and administration services for a number of companies in which M A Heller has an interest. Further details of these services are set out in Note 23 of the financial statements.

Share option schemes

The company has two share option schemes -

- 1 The "Approved Scheme" was set up in 1986 and has Inland Revenue approval.
2. The "Unapproved Scheme" was set up in 1998 and is not subject to the Inland Revenue terms of approval.

Executive directors have options to subscribe for ordinary shares under the two schemes as follows:

	Option price	1 January 2003	Number of share options		31 December 2003	Exercisable	
			Granted in 2003	Exercised in 2003		from	to
Approved Scheme							
RJ Corry	28.5p	210,000	-	210,000	-	28 May 1996	27 May 2003
RJ Corry	42.5p	190,000	-	-	190,000	10 May 1997	9 May 2004
MC Stevens	28.5p	50,000	-	50,000	-	28 May 1996	27 May 2003
MC Stevens	38.5p	27,900	-	-	27,900	14 May 2000	13 May 2007
MC Stevens	21.75p	50,000	-	-	50,000	6 Nov 2001	5 Nov 2008
Unapproved Scheme							
R J Corry	25.66p	200,000	-	-	200,000	8 Mar 2002	7 Mar 2009
J A Heller	25.66p	200,000	-	-	200,000	8 Mar 2002	7 Mar 2009
M C Stevens	25.66p	50,000	-	-	50,000	8 Mar 2002	7 Mar 2009

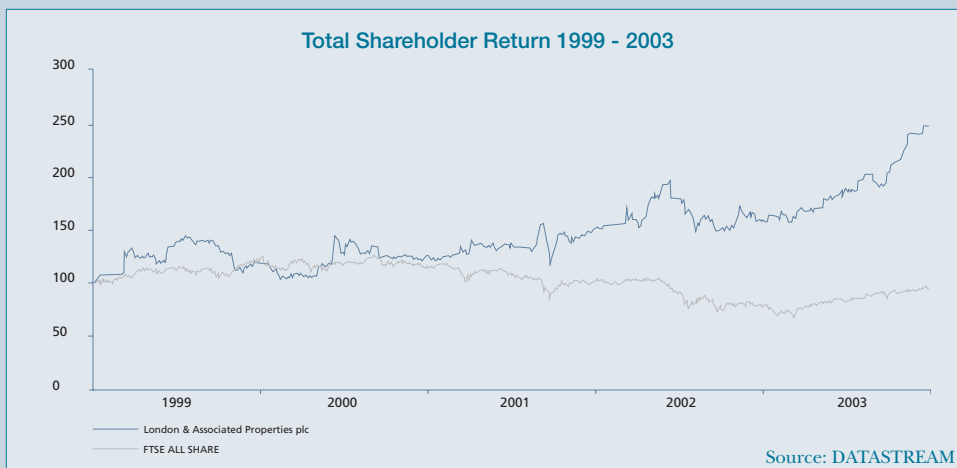
There are no performance criteria for the exercise of options under the Approved Scheme, as this was set up before such requirements were considered to be necessary. The exercise of options under the Unapproved Scheme is subject to the satisfaction of objective performance conditions specified by the Remuneration Committee, which will conform to institutional shareholder guidelines and best practice provisions in force from time to time. The Remuneration Committee has not yet set the performance conditions to apply to the Unapproved Scheme.

The middle market price of London & Associated Properties PLC ordinary shares at 31 December 2003 was 46.5p (2002: 31.25p). During the year the share price ranged between 31.0p and 46.5p. The Board's policy is to grant options to executive directors, managers and staff at appropriate times to provide them with an interest in the longer term development of the group.

The following information is unaudited:

Total Shareholder Return

The graph below compares the Total Shareholder Return of a hypothetical holding of shares in the company with a broad equity market index over a five year period. The directors have chosen the FTSE All Share -Total Return Index as a suitable index for this comparison.



B J O'Connell

Chairman, Remuneration Committee

22 March 2004

Independent auditors' report to the members of London and Associated Properties PLC

We have audited the financial statements on pages 24 to 43. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report under the headings directors' emoluments, directors' pensions and directors' interests, ("the auditable part").

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements, and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Chief Executive's Report, the Finance Director's Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Directors' Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the Directors' Remuneration Report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the auditable part of the Directors' Remuneration Report.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 2003 and of the group profit for the year then ended; and
- the financial statements and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly

Registered Auditor
Chartered Accountants
22 March 2004

2 Bloomsbury Street
London WC1B 3ST

Directors' responsibility statement

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for the year. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then to apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the company's website www.laprops.co.uk.

Valuers' certificates

To the Directors of London & Associated Properties PLC

In accordance with your instructions we have carried out a valuation of the freehold and leasehold property interests held as at 31 December 2003 by the company as detailed in our Valuation Report dated 1st March 2004.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2003 of these interests was:-

	£000
Freehold	36,645
Leasehold	52,760
	89,405
London	Allsop & Co.
1st March 2004	Chartered Surveyors

To the Directors of London & Associated Properties PLC

In accordance with your instructions we have carried out a valuation of the freehold and leasehold property interests held as at 31 December 2003 by the company as detailed in our Valuation Report dated 19th February 2004.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2003 of these interests was:-

	£000
Freehold	4,095
Leasehold	-
	4,095
Leeds	Hill Woolhouse
19th February 2004	Chartered Surveyors

Consolidated profit and loss account for the year ended 31 December 2003

	<i>Notes</i>	2003 £000	2002 £000
Gross rental income			
Group and share of joint ventures		11,360	8,336
Less: joint ventures - share of rental income		(3,469)	(318)
	<i>1</i>	7,891	8,018
Less: property overheads -			
Ground rents		(1,252)	(455)
Direct property expenses		(1,078)	(899)
Attributable overheads		(1,787)	(1,742)
		(4,117)	(3,096)
Less: joint ventures - share of overheads		1,169	70
		(2,948)	(3,026)
Net rental income			
		4,943	4,992
Listed investments - net income	<i>3</i>	62	(355)
Operating profit			
		5,005	4,637
Share of operating profit of joint ventures		2,218	249
Share of operating profit of associate		813	407
		8,036	5,293
Exceptional items	<i>5</i>		
Company			
Profit on sale of investment properties		157	757
Associate and joint venture		(67)	11
		90	768
Interest receivable		333	334
Interest payable	<i>6</i>	(5,651)	(3,947)
Profit on ordinary activities before taxation			
		2,808	2,448
Taxation on profit on ordinary activities	<i>7</i>	404	605
Profit on ordinary activities after taxation			
		2,404	1,843
Dividend	<i>8</i>	1,241	1,141
Retained profit for the year			
	<i>21</i>	1,163	702
Earnings per share - basic	<i>10</i>	2.98p	2.32p
- fully diluted	<i>10</i>	2.95p	2.30p
Dividend per share	<i>8</i>	1.525p	1.425p

The revenue and operating profit for the year is derived from continuing operations in the United Kingdom.

Balance sheets at 31 December 2003

	Notes	Group		Company	
		2003 £000	2002 £000	2003 £000	2002 £000
Fixed assets					
Tangible assets	11	94,601	96,143	94,601	96,143
Investments in joint ventures	13			3,943	1,993
Share of gross assets		59,129	27,452		
Share of gross liabilities		(49,427)	(24,524)		
Share of net assets	12	9,702	2,928		
Other investments					
Associated company		4,636	3,385	358	358
Other		3,784	1,834	3,793	1,843
	13	8,420	5,219	4,151	2,201
		18,122	8,147	8,094	4,194
		112,723	104,290	102,695	100,337
Current assets					
Debtors	14	2,362	1,375	2,362	1,375
Investments at cost	15	2,135	2,193	2,135	2,193
(Market value £3,011,000 (2002: £2,385,000))					
Bank balances		11,451	6,718	11,451	6,718
		15,948	10,286	15,948	10,286
Creditors					
Amounts falling due within one year	16	(14,450)	(12,923)	(14,465)	(12,938)
Net current assets (liabilities)		1,498	(2,637)	1,483	(2,652)
Total assets less current liabilities		114,221	101,653	104,178	97,685
Creditors					
Amounts falling due after more than one year	17	(40,988)	(45,971)	(40,988)	(45,971)
Provisions for liabilities and charges	19	(1,346)	(1,657)	(1,346)	(1,657)
Net assets		71,887	54,025	61,844	50,057
Capital and reserves					
Share capital	20	8,140	8,009	8,140	8,009
Share premium account	21	4,837	4,509	4,837	4,509
Capital redemption reserve	21	47	15	47	15
Revaluation reserve	21	39,820	25,781	31,766	23,079
Other reserves	21	429	429	-	-
Retained earnings	21	18,614	15,282	17,054	14,445
Shareholders' funds		71,887	54,025	61,844	50,057
Net assets per share*					
Basic	10	89.39p	67.69p		
Diluted	10	88.58p	66.98p		

*Including current asset investments at market value.

These financial statements were approved by the board of directors on 22 March 2004 and signed on its behalf by:

M A Heller
M C Stevens
Directors

Consolidated statement of total recognised gains and losses

for the year ended 31 December 2003

	2003 £000	2002 £000
Profit for the financial year	2,404	1,843
Currency translation difference on foreign currency net investments of associate	87	90
Increase on revaluation of investment properties		
Company	10,127	2,408
Associate and joint venture	5,660	528
Taxation on gains on disposals of properties	(130)	-
Total gains and losses recognised in the year	18,148	4,869

Note of historical cost profits and losses

for the year ended 31 December 2003

	2003 £000	2002 £000
Reported profit on ordinary activities before taxation	2,808	2,448
Share of realisation of property revaluation gains of previous years		
Company	2,012	2,861
Associate and joint venture	308	221
Historical cost profit on ordinary activities before tax	5,128	5,530
Retained historical cost profit for the year	3,483	3,784

Reconciliation of movement in shareholders' funds

for the year ended 31 December 2003

	2003 £000	2002 £000
Profit for the financial year	2,404	1,843
Dividend	(1,241)	(1,141)
Retained profit for the year	1,163	702
Associate's currency translation difference on foreign currency net investments	87	90
Unrealised changes on revaluation of investment properties	15,787	2,936
Gain on realisation of revaluation of property in previous years	572	-
Taxation on gains on disposals of property	(130)	-
Shares issued	163	126
Shares purchased	(108)	-
Share premium account movements	328	245
	17,862	4,099
Shareholders' funds at 1 January 2003	54,025	49,926
Shareholders' funds at 31 December 2003	71,887	54,025

Consolidated cash flow statement for the year ended 31 December 2003

	<i>Note</i>	2003 £000	2002 £000
Net cash inflow from operating activities	22a	9,642	4,259
Returns on investments and servicing of finance			
Interest received		318	307
Interest paid		(3,322)	(3,650)
Net cash outflow from returns on investments and servicing of finance		(3,004)	(3,343)
Taxation			
Corporation tax		(400)	152
Capital expenditure and financial investment			
Purchase of fixed asset investments		(3,900)	(3,658)
Sale of properties		15,763	6,405
Sale of office equipment and motor cars		43	-
Purchase of properties		(3,191)	(1,513)
Purchase of office equipment and motor cars		(200)	(12)
Net cash inflow for capital expenditure and financial investment		8,515	1,222
Equity dividends paid		(783)	(700)
Net cash inflow before use of liquid resources and financing		13,970	1,590
Net cash inflow (outflow) from management of liquid resources			
Drawdown of short term loan from joint venture		307	-
Repayment of short term loan from joint ventures		-	(163)
		307	(163)
Financing			
Shares issued for cash		141	55
Issue expenses		(8)	(9)
Cost of shares redeemed		(108)	-
Repayment of medium term bank loan		(5,300)	(300)
Net cash outflow from financing		(5,275)	(254)
Increase in cash in the period		9,002	1,173

Reconciliation of net cash flow to movement in net debt for the year ended 31 December 2003

	<i>Note</i>	2003 £000	2002 £000
Increase in cash in the period		9,002	1,173
Net cash inflow from increase in debt		5,300	300
		14,302	1,473
Other movements on current asset investments		(58)	(312)
Movement in net debt in the period		14,244	1,161
Net debt at 1 January 2003		(43,242)	(44,403)
Net debt at 31 December 2003	22b	(28,998)	(43,242)

Accounting policies

The following are the main accounting policies of the group:

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified to include the revaluation of freehold and leasehold properties and in accordance with applicable accounting standards. All accounting policies applied are consistent with those of prior periods.

Investment properties are accounted for in accordance with SSAP 19, "Accounting for Investment Properties", which provides that these should not be subject to periodic depreciation charges, but should be shown at open market value. This is contrary to the Companies Act 1985 which states that, subject to any provision for depreciation or diminution in value, fixed assets are normally to be stated at purchase price or production cost. Current cost accounting or the revaluation of specific assets to market value, as determined at the date of their last valuation, is also permitted.

The treatment of investment properties under the Companies Act does not give a true and fair view as these assets are not held for consumption in the business but as investments, the disposal of which would not materially affect any manufacturing or trading activities of the enterprise. In such a case it is the current value of these investments, and changes in that current value, which are of prime importance. Consequently, for the proper appreciation of the financial position, the accounting treatment required by SSAP 19 is considered appropriate for investment properties.

Details of the current value and historical cost information for investment properties are given in Note 11.

Basis of consolidation

The consolidated financial statements comprise:

- (a) The financial statements of the company and all its subsidiaries made up to 31 December. Subsidiaries acquired during the year are consolidated using the acquisition method. Their results are incorporated from the date that control passes. Provision is made for impairment.
- (b) Associated Undertakings - Undertakings in which the group has a participating interest of not less than 20 per cent in the voting capital and over which it exerts significant influence are defined as associated undertakings. The financial statements include the appropriate share of the results and reserves of those undertakings based on the audited financial statements to 31 December.
- (c) Joint Ventures - Undertakings in which the group has a long term interest and shares control under a contractual arrangement are defined as joint ventures. Joint ventures are accounted for using the gross equity method.

Revenue

Revenue comprises rental income, listed investment sales, dividends and other income. The profit or loss on disposal of properties is recognised on completion of sale.

Dividends receivable

Dividends are credited to the profit and loss account when the dividend is received.

Tangible fixed assets

a) Investment properties

An external professional valuation of investment properties is carried out at least every five years, but is currently carried out every year. Properties professionally valued by Chartered Surveyors are on an existing use open market value basis, in accordance with the Statement of Assets Valuation Practice No. 4 and the Guidance Notes of the Royal Institution of Chartered Surveyors.

The cost of improvements includes attributable interest - Notes 5 and 11.

b) Other tangible fixed assets

Other tangible fixed assets are stated at historical cost. Depreciation is provided on all other tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life. The rates generally used are - office equipment - 10 to 20 per cent per annum, and motor cars - 20 per cent per annum, on the straight line basis.

Investments

Long term investments are described as participating interests and are classified as fixed assets. Short term investments are classified as current assets.

a) Investments held as fixed assets:

These comprise investments in Analytical Properties and Dragon Retail Properties Limited (unlisted joint ventures), Bisichi Mining PLC (listed associate), and in unlisted companies which are all held for the long term. Provision is made for any impairment in the value of fixed asset investments. Details of the investments in joint ventures and the associate are set out in Notes 12 and 13.

b) Investments held as current assets:

- (i) These comprise listed investments which are stated at the lower of cost or net realisable value, on a portfolio basis.
- (ii) Net profits or losses on realisation of these investments are carried to the profit and loss account as part of the operating profit.

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Assets, liabilities and results of overseas subsidiaries are translated at the rate ruling at the balance sheet date. Exchange differences arising are dealt with through reserves.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements.

Deferred tax is recognised in the Statement of Total Recognised Gains and Losses on revaluations where at the balance sheet date there is an agreement to sell the asset. Deferred tax is measured at the average tax rates which are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Leased assets and obligations

All other leases are "Operating Leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term. Rent free periods or other incentives received for entering into a lease are accounted for over the period of the lease so as to spread the benefit received over the lease term.

Retirement benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments at the balance sheet date.

Cash flow

The group defines liquid resources as current asset investments held as readily disposable stores of value.

Notes to the financial statements for the year ended 31 December 2003

1. Segmental analysis

	Revenue		Operating profit		Net operating assets	
	2003 £000	2002 £000	2003 £000	2002 £000	2003 £000	2002 £000
Property	7,891	8,018	4,943	4,992	53,455	45,216
Listed investments	582	389	62	(355)	2,135	2,193
Fixed asset investments	-	-	-	-	3,784	1,834
Net non-operating liabilities	-	-	-	-	(1,825)	(1,531)
Group total	8,473	8,407	5,005	4,637	57,549	47,712
Share of joint ventures	3,469	318	2,218	249	9,702	2,928
Share of associate	3,660	2,213	813	407	4,636	3,385
Group, joint ventures and associate	15,602	10,938	8,036	5,293	71,887	54,025

Rental income

	Company £000	Analytical Properties £000	Dragon Retail Properties Limited		Group Share	
			£000	£000	2003 £000	2002 £000
Rental income	7,891	6,705	233	14,829	11,360	8,336
Ground rents	(449)	(1,606)	-	(2,055)	(1,252)	(455)
Direct property expenses	(861)	(396)	(38)	(1,295)	(1,078)	(899)
Net rental income	6,581	4,703	195	11,479	9,030	6,982
Attributable overheads	(1,638)	(263)	(34)	(1,935)	(1,787)	(1,742)
	4,943	4,440	161	9,544	7,243	5,240
Less: attributable to joint ventures					(2,300)	(248)
Net rental income					4,943	4,992

2. Attributable overheads

	2003 £000	2002 £000
Attributable overheads have been allocated to the appropriate operating activity, and include:		
Depreciation on tangible fixed assets	90	92
Operating lease rentals - land and buildings	197	197
(Profit) loss on disposal of motor vehicles	(7)	3
Amounts payable to Baker Tilly and their associates in respect of both audit and non-audit services		
Audit services:		
Statutory audit	31	29
Further assurance services	2	-
Tax services	2	3
Advisory services	-	2
Other services	3	-
	38	34

3. Listed investments

	2003	2002
	£000	£000
Investment sales	475	301
Dividends receivable	107	88
	582	389
Cost of sales	(500)	(726)
	82	(337)
Less - attributable overheads	(20)	(18)
Net income from listed investments	62	(355)

4. Directors' Emoluments

	2003	2002
	£000	£000
Emoluments	727	586
Defined contribution pension contributions	61	38
	788	624

Details of directors' emoluments and share options are set out in the Remuneration Report.

5. Exceptional items

	2003	2002
	£000	£000
Profit on sale of:		
Freehold property	157	757
Joint venture - (loss) profit on sale of freehold property	(47)	8
Associate-fixed asset investment - (loss) profit on disposal	(20)	3
	90	768

6. Interest payable

	2003	2002
	£000	£000
Interest on bank loans and overdrafts	329	191
Other loans	3,095	3,431
Share of associate's interest payable	203	137
Share of joint ventures' interest payable	2,052	219
Interest capitalised*	(28)	(31)
	5,651	3,947

Interest payable of £28,000 (2002: £31,000) has been transferred to investment properties (Note 11). The amount transferred represents the cost of funds forming part of the group's general borrowings which were used in financing major capital projects.

*The interest rate used is 1% over the loan rate of the banks used to finance the capital projects.

7. Taxation

	2003 £000	2002 £000
Current tax:		
Corporation tax on profits of the period	494	390
Adjustments in respect of previous periods	10	(2)
Total current tax	504	388
Joint ventures	30	23
Associate	181	86
Total current tax	715	497
Deferred tax:		
Origination and reversal of timing differences	(88)	(24)
Accelerated capital allowances	(223)	132
Total deferred tax (Note 19)	(311)	108
Tax on profit on ordinary activities	404	605

Factors affecting tax charge for the year

The corporation tax assessed for the year is different from that at the standard rate of corporation tax in the United Kingdom of 30 per cent (2002: 30 per cent).

The differences are explained below:

Profit on ordinary activities before taxation	2,808	2,448
Taxation on ordinary activities at 30 per cent	842	735
Effects of:		
Expenses not deductible for tax purposes	19	19
Capital allowances for the year in excess of depreciation	(69)	(92)
Capital gains in excess of profit on disposal	(15)	(126)
Other differences	(47)	(31)
Loss relief	(6)	13
Adjustment to smaller companies rate	(19)	(19)
Adjustment in respect of prior years	10	(2)
Current charge for the period	715	497
Prior year adjustments:		
1999	-	1
2001	-	1
2002	(10)	-
	(10)	2

Factors that may affect future tax charges:

Based on current capital expenditure plans, the group expects to continue to be able to claim capital allowances in excess of depreciation in future years, but at a slightly lower level than in the current year.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided for is £6,253,000 (2002: £4,015,000).

At present it is not envisaged that any tax will become payable in the foreseeable future.

8. Dividend

	Per share	2003 £000	Per share	2002 £000
Proposed final dividend	1.525p	1,241	1.425p	1,141

The proposed final dividend will be payable on 9 July 2004 to shareholders registered at the close of business on 2 April 2004.

9. Profit attributable to London & Associated Properties PLC

	2003 £000	2002 £000
Dealt with in the financial statements of:		
London & Associated Properties PLC	795	555
Joint ventures	16	(2)
Associate	352	149
	1,163	702

In accordance with the exemption conferred by Section 230(3) of the Companies Act 1985, the company has not presented its own profit and loss account.

10. Earnings per share and Net Assets per share

Earnings per share have been calculated as follows:

	Earnings		Shares in issue		Earnings per share	
	2003 £000	2002 £000	2003 000	2002 000	2003 Pence	2002 Pence
Group profit						
on ordinary activities after tax	2,404	1,843				
Weighted average						
share capital for the year			80,772	79,474		
Basic earnings	2,404	1,843	80,772	79,474	2.98p	2.32p
Adjustments:						
Issue of outstanding share options	12	18	1,101	1,537		
Fully diluted earnings	2,416	1,861	81,873	81,011	2.95p	2.30p

Net assets per share have been calculated as follows:

	Net assets		Shares in issue		Net assets per share	
	2003 £000	2002 £000	2003 000	2002 000	2003 Pence	2002 Pence
At 31 December	71,887	54,025	81,397	80,090		
Surplus on current asset investments	876	192				
Basic	72,763	54,217	81,397	80,090	89.39p	67.69p
Issue of outstanding share options	312	455	1,101	1,507		
Diluted	73,075	54,672	82,498	81,597	88.58p	66.98p

The net assets per share have not been adjusted for tax on the uplift of properties or investments to market value.

11. Tangible fixed assets**Group and company**

	Investment properties			Office equipment and motor vehicles
	Total £000	Freehold £000	Long leasehold £000	£000
Cost or valuation at 1 January 2003	96,686	47,047	48,711	928
Increase on revaluation	10,127	4,009	6,118	-
Additions	3,555	2,710	645	200
Disposals	(15,226)	(12,994)	(2,114)	(118)
Cost or valuation at 31 December 2003	95,142	40,772	53,360	1,010
Representing assets stated at:				
Valuation	94,132	40,772	53,360	-
Cost	1,010	-	-	1,010
	95,142	40,772	53,360	1,010
Depreciation at 1 January 2003	543	-	-	543
Charge for the year	90	-	-	90
Disposals	(92)	-	-	(92)
Depreciation at 31 December 2003	541	-	-	541
Net book value at 1 January 2003	96,143	47,047	48,711	385
Net book value at 31 December 2003	94,601	40,772	53,360	469

Ninety nine per cent of freehold and long leasehold properties were valued as at 31 December 2003 by external professional firms of chartered surveyors, the balance being valued by the directors. The valuations were made at open market value on the basis of existing use. The increase in book value was transferred to revaluation reserve.

	£000
Allsop & Co, Chartered Surveyors	89,405
Hill Woolhouse, Chartered Surveyors	4,095
Directors' valuations	632
	94,132

The historical cost of investment properties, including total capitalised interest of £61,000 (2002 : £742,000) was as follows:

	Freehold £000	Long leasehold £000
Cost at 1 January 2003	34,583	38,096
Additions	2,710	645
Disposals	(10,985)	(2,722)
Cost at 31 December 2003	26,308	36,019

Long leasehold properties are held on leases with an unexpired term of more than fifty years at the balance sheet date.

12. Investment in joint ventures

	Analytical Properties Limited £000	Dragon Retail Properties Limited £000	Total 2003 £000	Group share 2003 £000	Group share 2002 £000
Joint venture balance sheets					
Fixed assets	107,750	3,697	111,447	55,724	26,438
Current assets					
Debtors	893	655	1,548	774	665
Cash	4,495	767	5,262	2,631	349
	5,388	1,422	6,810	3,405	1,014
Creditors due within one year					
Other Liabilities	(4,562)	(190)	(4,752)	(2,376)	(722)
Net current assets	826	1,232	2,058	1,029	292
Total assets less current liabilities	108,576	4,929	113,505	56,753	26,730
Creditors due in more than one year					
Bank loans	(84,471)	(2,125)	(86,596)	(43,298)	(21,973)
Loan stock	(7,505)	-	(7,505)	(3,753)	(1,829)
Net assets	16,600	2,804	19,404	9,702	2,928
Being					
Property assets	107,750	3,695	111,445	55,723	26,437
Other liabilities	(91,150)	(891)	(92,041)	(46,021)	(23,509)
	16,600	2,804	19,404	9,702	2,928
Consolidated balance sheet analysis					
Share of gross assets	113,138	5,119	118,257	59,129	27,452
Share of gross liabilities	(96,538)	(2,315)	(98,853)	(49,427)	(24,524)
Share of net assets	16,600	2,804	19,404	9,702	2,928
Group share of joint venture profit and loss account					
Gross rental income	6,705	233	6,938	3,469	318
Ground rents	(1,571)	-	(1,571)	(785)	(27)
Direct property expenses	(431)	(38)	(469)	(235)	(17)
Net rental income	4,703	195	4,898	2,449	274
Overheads	(470)	9	(461)	(231)	(25)
Operating profit	4,233	204	4,437	2,218	249
Interest receivable	21	18	39	19	22
Interest payable	(3,991)	(114)	(4,105)	(2,052)	(219)
Exceptional items	-	(94)	(94)	(47)	8
Profit before taxation	263	14	277	138	60
Taxation	(57)	(1)	(58)	(29)	(23)
Profit for the year	206	13	219	109	37

12. Investment in joint ventures *continued*

Analytical Properties Holdings Limited - unlisted property investment company.

The company owns 50 per cent of the issued share capital and issued 7.3 per cent loan stock of Analytical Properties Holdings Limited. The remaining 50 per cent is owned by the Bank of Scotland. The company is incorporated and operates in England and Wales and has issued share capital of 7,558,000 ordinary shares of £1 each (2002: 3,658,000 ordinary shares of £1 each). The company is managed by a board of directors with neither party having overall control.

Dragon Retail Properties Limited - unlisted property trading and investment company.

The company owns 50 per cent of the issued share capital of Dragon Retail Properties Limited. The remaining 50 per cent is owned by Bisichi Mining PLC. The company is incorporated and operates in England and Wales and has issued share capital of 500,000 ordinary shares of £1 each (2002:500,000 ordinary shares of £1 each). The company is managed by a board of directors with neither party having overall control.

13. Investments

Group	Total £000	Shares in joint ventures £000	Loan Stock in joint ventures £000	Shares in associate £000	Unlisted shares £000
Cost or valuation					
At 1 January 2003	8,147	2,928	1,829	3,385	5
Additions	3,900	1,950	1,950	-	-
Share of profit after tax	525	109	-	417	-
Other recognised gains and losses	5,707	4,808	-	899	-
Distributions	(157)	(93)	-	(65)	-
	6,075	4,824	-	1,251	-
At 31 December 2003	18,122	9,702	3,779	4,636	5
Share of net assets other than goodwill as at 31 December 2003	-	9,702	-	4,636	-

Company	Total £000	Shares in subsidiary companies £000	Shares in joint ventures £000	Loan Stock in joint ventures £000	Shares in associate £000	Unlisted Shares £000
Cost						
At 1 January 2003	4,194	9	1,993	1,829	358	5
Additions	3,900	-	1,950	1,950	-	-
At 31 December 2003	8,094	9	3,943	3,779	358	5

Subsidiary companies

The company owns 100 per cent of the ordinary share capital of the following dormant companies, all of which are registered in England and Wales:

- Analytical Investments Limited
- London & African Investments Limited
- London & Associated Securities Limited
- London & Associated Limited

In the opinion of the directors the value of the investment in subsidiaries is not less than the amount shown in these financial statements.

13. Investments *continued***Associate**

	2003	2002
	£000	£000
Bisichi Mining PLC - listed mining and property investment company		
Group share of :		
Turnover	3,660	2,213
Profit before tax	598	235
Taxation	(181)	(86)
Profit after tax	417	149
Fixed assets	7,520	6,188
Current assets	1,072	611
Liabilities due within one year	(2,108)	(1,334)
Liabilities due in over one year	(1,831)	(2,099)
Net assets	4,653	3,366

The company owns 42 per cent (2002: 42 per cent) of the issued share capital of Bisichi Mining PLC, a company registered in England and Wales. Bisichi Mining has issued share capital of 10,451,506 ordinary shares of 10p each, and its principal countries of operation are the United Kingdom (property investment) and South Africa (coal mining). The company is an associated undertaking by virtue that London & Associated Properties PLC has a participating interest in the undertaking and actually exercises significant influence over it. The company has an independent board of directors which controls its operating and financial policies.

The market value of this investment at 31 December 2003 was £3,266,359 (2002: £1,502,734).

14. Debtors

Group and company	2003	2002
	£000	£000
Trade debtors	638	661
Amounts due from associate and joint ventures	742	385
Other debtors	698	55
Prepayments and accrued income	284	274
	2,362	1,375

15. Investments held as current assets

Group and company	2003	2002
	£000	£000
Market value of the listed investment portfolio	3,011	2,385
Unrealised excess of market value over cost	876	192
Listed investment portfolio at cost	2,135	2,193

All investments are listed on the London Stock Exchange

16. Creditors: Amounts falling due within one year

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Bank overdrafts (unsecured)	984	5,253	984	5,253
Bank loan (secured)	300	600	300	600
Amounts owed to subsidiary companies	-	-	15	15
Amounts owed to joint ventures	3,007	174	3,007	174
Corporation tax	584	390	584	390
Other taxation and social security costs	3,007	454	3,007	454
Proposed dividend	1,241	1,141	1,241	1,141
Other creditors	871	710	871	710
Accruals and deferred income	4,456	4,201	4,456	4,201
	14,450	12,923	14,465	12,938

17. Creditors: Amounts falling after more than one year

Group and company	2003 £000	2002 £000
Term borrowings		
Debtenture stocks		
£5 million First Mortgage Debtenture Stock 2013 at 11.3 per cent	5,000	5,000
£1.7 million First Mortgage Debtenture Stock 2016 at 8.67 per cent	1,700	1,700
£5 million First Mortgage Debtenture Stock 2018 at 11.6 per cent	5,000	5,000
£10 million First Mortgage Debtenture Stock 2022 at 8.109 per cent *	9,688	9,671
	21,388	21,371
Long term bank loans	19,600	24,600
	40,988	45,971

*The £10 million debenture is shown after deduction of un-amortised issue costs in accordance with FRS4.

Interest payable on the bank loans is variable being based upon the London InterBank market rate plus margin.

a) First Mortgage Debtenture Stocks 2013, 2016, 2018 and 2022

The first mortgage debenture stocks are secured by first charges on specific freehold and long leasehold properties and floating charges.

b) A long term bank loan facility of £21 million was negotiated in July 1999 and is repayable in nineteen six monthly installments with the balance of £17.75 million repayable in 2009.

Both the medium and long term bank loans are secured by first charges on specific properties.

18. Financial instruments

The group has taken advantage of the exemption under FRS13 that short term debtors and creditors be excluded from the following disclosures.

Financial assets maturity

On 31 December 2003, cash at bank and in hand amounted to £11,451,000 (2002: £6,718,000) which is invested in short term bank deposits maturing within one year bearing interest at the banks' variable rates.

Financial liabilities maturity

	Group and company	
	2003	2002
	£000	£000
Repayment of borrowings		
Bank loans and overdrafts:		
Repayable within one year or on demand	1,284	5,853
Repayable in more than one year but not more than two years	300	600
Repayable in more than two but not more than five years	1,300	2,000
Repayable in more than five years	18,000	22,000
	20,884	30,453
Debentures:		
Repayable in more than five years	21,700	21,700
	42,584	52,153

The group has undrawn banking facilities at 31 December 2003 of £11,516,000 (2002: £7,247,000), which expire within one year.

Interest rate risk and hedge profile

49.0 per cent (£20,884,000) (2002: 58.4 per cent (£30,453,000)) of the group's borrowings is at variable rates of interest with the remaining 51.0 per cent (£21,700,000) (2002: 41.6 per cent (£21,700,000)) at fixed rates of interest. The fixed rate and weighted average period for which the borrowing is fixed is 9.69 per cent (2002: 9.69 per cent) and 15.5 (2002: 16.5 years) years respectively. The group's floating rate debt bear interest based on LIBOR.

Fair values

Fair value of the group's financial liabilities:

	Book value £000	Market value £000	2003 Fair value adjustment £000	2002 Fair value adjustment £000
Debenture stock	21,700	27,233	(5,533)	(6,505)
Tax at 30 per cent (2002: 30 per cent)			1,660	1,952
Post tax fair value adjustment			(3,873)	(4,553)
Post tax fair value adjustment - basic pence per share			(4.83p)	(5.69p)

The fair values were calculated by the directors as at 31 December 2003 and reflect the replacement value of the financial instruments used to manage the group's exposure to adverse rate movements.

The bank loans and overdrafts are at variable rates and there is therefore no material difference between book values and market values.

19. Provisions for liabilities and charges

Group and company	2003	2002
	£000	£000
Deferred Taxation		
Balance at 1 January 2003	1,657	1,549
Transfer to profit and loss account	(311)	108
Balance at 31 December 2003	1,346	1,657

No provision has been made for the approximate taxation liability at 30 per cent (2002: 30 per cent) of £6,253,000 (2002: £4,015,000) which would arise if the investment properties were sold at the stated valuation.

	2003	2002
	£000	£000
The deferred tax balance comprises the following:		
Accelerated capital allowances	1,303	1,537
Short-term timing differences	43	120
Provision at end of period	1,346	1,657

20. Share capital

	2003	2002
	£000	£000
Authorised: 110,000,000 (2002:110,000,000) ordinary shares of 10p each	11,000	11,000
Allotted, issued and fully paid: 81,396,736 (2002:80,090,264) shares of 10p each	8,140	8,009

In May 2003 495,000 shares were issued under the terms of the Inland Revenue approved share option scheme.

Also in May 2003 the company bought back 321,120 shares which were then cancelled.

In July 2003 1,132,592 ordinary shares were issued to shareholders who had elected to receive shares in lieu of a final dividend in cash. This represented a reduction in the cash dividend of £357,898 of which £244,639 was credited to the share premium account.

Share Option Schemes**Employees' Share Option Scheme**

At 31 December 2003 the following options to subscribe for ordinary shares were outstanding, issued under the terms of the Employees' Share Option Scheme:

Number of Shares	Option Price	Normal Exercise Date
210,000	42.5p	10 May 1998 to 9 May 2004
65,800	38.5p	14 May 2000 to 13 May 2007
225,000	21.75p	6 November 2001 to 5 November 2008
150,000	39.5p	14 October 2006 to 13 October 2013
650,800		

This share option scheme was approved by members in 1986, and has been approved by the Board of Inland Revenue.

A summary of the shares allocated and options issued under the scheme up to 31 December 2003 is as follows:

	At 1 January	Changes during year			At 31 December
	2003	Options	Options	Options	2003
		exercised	granted	lapsed	
Shares issued to date	1,341,804	495,000	-	-	1,836,804
Options granted which have not been exercised	1,086,600	(495,000)	150,000	(90,800)	650,800
Shares allocated over which options have not yet been granted	1,699,955	-	(150,000)	-	1,549,955
Total shares allocated for issue to employees under the scheme	4,128,359	-	-	(90,800)	4,037,559

The consideration for the 495,000 options exercised with a nominal value of 10 pence each was £141,075.

20. Share capital *continued***Non-approved Executive Share Option Scheme**

A share option scheme known as the "Non-approved Executive Share Option Scheme" which does not have Inland Revenue approval was set up during 2000. At 31 December 2003 the following options to subscribe for ordinary shares were outstanding, issued under the terms of the scheme:

Number of Shares	Option Price	Normal Exercise Date
450,000	25.66p	8 March 2002-7 March 2009

A summary of the shares allocated and options issued under the scheme up to 31 December 2003 is as follows:

Shares issued to date	-
Options granted which have not been exercised	450,000
Shares allocated over which options have not yet been granted	550,000
Total shares allocated for issue to employees under the scheme	1,000,000

21. Reserves

Group	Share premium account £000	Capital redemption reserve £000	Re- valuation reserve £000	Other reserves £000	Retained earnings £000
Balance at 1 January 2003	4,509	15	25,781	429	15,282
Surplus on valuation of investment properties	-	-	15,787	-	-
Premium on shares issued	336	-	-	-	-
Issue expenses	(8)	-	-	-	-
Purchase of own ordinary shares	-	32	-	-	(108)
Retained profit for year	-	-	-	-	1,163
Currency translation difference on foreign currency net investments	-	-	-	-	87
Transfer of realised revaluation profit	-	-	(1,748)	-	2,320
Taxation on realised revaluation profit	-	-	-	-	(130)
Balance at 31 December 2003	4,837	47	39,820	429	18,614

Company

Balance at 1 January 2003	4,509	15	23,079	-	14,445
Surplus on valuation of investment properties	-	-	10,127	-	-
Premium on shares issued	336	-	-	-	-
Issue expenses	(8)	-	-	-	-
Purchase of own ordinary shares	-	32	-	-	(108)
Retained profit for year	-	-	-	-	795
Transfer of realised revaluation profit	-	-	(1,440)	-	2,012
Taxation on realised revaluation profit	-	-	-	-	(90)
Balance at 31 December 2003	4,837	47	31,766	-	17,054

22. Cash flow statement notes

	2003	2002
	£000	£000
a) Reconciliation of operating profit to net cash inflow from operating activities:		
Operating profit	5,005	4,637
Depreciation charges	90	92
(Profit) loss on disposal of fixed assets	(7)	3
Dividend from associated company	65	44
Dividend from joint ventures	93	40
(Increase) decrease in debtors	(641)	270
Increase (decrease) in creditors	4,979	(1,139)
Decrease in current asset investments	58	312
Net cash inflow from operating activities	9,642	4,259

b) Analysis of net debt	At 1 January	Cash	Other	At 31 December
	2003	flow	movements	2003
	£000	£000	£000	£000
Bank balances in hand	6,718	4,733	-	11,451
Bank overdrafts	(5,253)	4,269	-	(984)
Debt due within one year	(600)	300	-	(300)
Debt due after one year	(46,300)	5,000	-	(41,300)
Current asset investments	2,193	-	(58)	2,135
	(43,242)	14,302	(58)	(28,998)

23. Related party transactions

	Costs recharged to (by) related party £000	Amounts owed by (to) related party £000	Cash advanced to (by) related party £000
Related party:			
Analytical Property Holdings Limited			
Share capital and loan stock	199	-	3,900
Current account	382	(2,368)	-
Dragon Retail Properties Limited			
Current account	-	60	-
Loan account	(11)	(307)	(307)
Bisichi Mining PLC	262	350	-
Totals at 31 December 2003	832	(2,265)	3,593
Totals at 31 December 2002	300	211	3,821

The related parties are the associate and joint ventures and are treated as fixed asset investments - details are shown in Note 13.

23. Related party transactions *continued***Analytical Property Holdings Limited (joint venture)**

Analytical Property Holdings Limited is 50 per cent owned by the company and 50 per cent by the Bank of Scotland. The company was formed during 2002 to acquire shopping centres for the joint venture partners.

Dragon Retail Properties Limited (joint venture)

Dragon Retail Properties Limited (Dragon) is owned 50 per cent by the company, and 50 per cent by Bisichi Mining PLC. The company provides office premises, property management, general management, accounting and administration services for both joint ventures. London & Associated Properties PLC and Bisichi Mining PLC each provided a guarantee in respect of the bank loan up to a maximum of £250,000 each.

Dragon had surplus cash which was deposited with London & Associated Properties PLC. The deposit bears interest at a variable rate related to bank base rates. Interest earned on the loan for the year amounted to £11,000 (2002: £5,000) none of which was accrued at 31 December 2003 (2002: £nil).

Bisichi Mining PLC (associate)

The company provides office premises, property management, general management, accounting and administration services for Bisichi Mining PLC and its subsidiaries.

Directors

London & Associated Properties PLC provides office premises, property management, general management, accounting and administration services for a number of private property companies in which M A Heller and J A Heller have an interest.

Under an agreement with M A Heller no charge is made for these services on the basis that he reduces by an equivalent amount the charge for his services to London & Associated Properties PLC.

The Board estimates that the value of these services, if supplied to a third party, would have been £275,000 for the year (2002: £275,000).

The companies for which services are provided are: Barmik Properties Limited, Cawgate Limited, Clerewell Limited, Cloathgate Limited, Ken-Crav Investments Limited, London & South Yorkshire Securities Limited, Shop.com Limited, South Yorkshire Property Trust Limited and Wasdon Investments Limited.

24. Employees

The average number of employees, including directors, of the group during the year involved in management and administration was 38 (2002: 35)

	2003 £000	2002 £000
Staff costs during the year were as follows:		
Salaries and other costs	1,249	1,111
Social security costs	129	116
Pension costs	112	93
	1,490	1,320

The company operates a number of defined contribution pension arrangements for individual employees through insurance companies. The pension costs shown above represent the contributions payable by the company.

25. Capital commitments

Group and company	2003 £000	2002 £000
Approved capital expenditure not committed for at the year end	-	1,500
Approved capital expenditure which had been committed but not contracted for at the year end	-	424
Commitments to capital expenditure contracted for at the year end	27	2,161

26. Commitments under operating leases

At 31 December 2003 the group and the company had annual commitments under non-cancellable operating leases on land and buildings expiring in more than 5 years totalling £197,000 (2002: £197,000)

In addition, the company has an annual commitment to pay ground rents on its leasehold investment properties which amounts to £449,000 (2002: £427,000), the leases on which expire in more than fifty years.

27. Contingent liabilities

The company has provided a guarantee in respect of a bank loan up to a maximum of £250,000 to Dragon Retail Properties Limited, a joint venture company.

Five year financial summary

	2003 £m	2002 £m	2001 £m	2000 £m	1999 £m
Portfolio size					
Investment properties-group	94	96	98	100	96
Investment properties-joint ventures	111	53	6	5	4
Investment properties-associate	13	11	8	8	7
	218	160	112	113	107
Portfolio activity					
	£m	£m	£m	£m	£m
Acquisitions	51.59	50.95	1.36	2.09	17.22
Disposals	(16.82)	(6.15)	(4.83)	(0.86)	(0.40)
Capital Expenditure	52.14	1.29	1.45	0.87	1.37
	86.91	46.09	(2.02)	2.10	18.19
Consolidated profit and loss account					
	£m	£m	£m	£m	£m
Rental income - Group and share of joint ventures	11.36	8.34	8.92	8.98	8.05
Less:attributable to joint venture partners	(3.47)	(0.32)	(0.23)	(0.17)	(0.14)
Group rental income	7.89	8.02	8.69	8.81	7.91
Profit before interest and tax	8.13	6.06	6.55	6.61	5.72
Profit before tax	2.80	2.45	2.32	2.17	2.10
Taxation	0.40	0.61	0.01	0.52	0.78
Profit attributable to shareholders	2.40	1.84	2.31	1.65	1.32
Earnings per share - basic	2.98p	2.32p	2.95p	2.14p	1.73p
Earnings per share - fully diluted	2.95p	2.30p	2.91p	2.06p	1.68p
Dividend per share	1.525p	1.425p	1.30p	1.20p	1.10p
Consolidated balance sheet					
	£m	£m	£m	£m	£m
Shareholders funds	71.89	54.03	49.93	47.54	44.11
Adjustment of current asset investments to market value	0.87	0.19	0.46	0.87	1.32
Consolidated net assets*	72.76	54.22	50.39	48.41	45.43
Net borrowings*	30.82	43.05	43.94	48.86	47.42
Net gearing*	42.36%	79.40%	87.21%	100.95%	104.38%
Net assets per share* - Basic	89.39p	67.69p	63.92p	62.37p	59.47p
- fully diluted+	88.58p	66.98p	63.15p	58.91p	56.35p
Consolidated cash flow statement					
	£m	£m	£m	£m	£m
Net cash inflow from operating activities	9.64	4.26	7.91	6.35	6.64
Capital investment and financial investment	8.52	1.22	2.78	(1.88)	(17.29)
Increase (decrease) in debt during year	(14.24)	(1.16)	(5.33)	1.00	14.85

Notes: * Including the investment portfolio at market value.

+ Based on net assets after issue of share options.

Notice of annual general meeting

NOTICE is hereby given that the Sixty Fourth Annual General Meeting of London & Associated Properties PLC will be held at Gresham College, Barnard's Inn Hall, Holborn, London EC1N 2HH on Monday 7th June 2004 at 10.30 a.m. for the transaction of the following business:

Ordinary business

- 1 To receive and adopt the directors' report, annual accounts and independent auditor's report for the year ended 31 December 2003. **(Resolution 1)**
- 2 To declare and approve a final dividend of 1.525p per share. **(Resolution 2)**
- 3 To re-elect as a director L C John Brown. **(Resolution 3)**
- 4 To re-elect as a director Robert J Corry. **(Resolution 4)**
- 5 To re-elect as a director John A Heller. **(Resolution 5)**
- 6 To approve the Remuneration Report for the year ended 31 December 2003. **(Resolution 6)**
- 7 To reappoint Baker Tilly as auditors. **(Resolution 7)**
- 8 To authorise the directors to determine the remuneration of the auditors. **(Resolution 8)**

Special business

To consider and, if thought fit, pass the following resolutions of which Resolution 10 will be proposed as an Ordinary Resolution, and Resolutions 9 and 11 will be proposed as Special Resolutions:

- 9 That the directors be and they are hereby authorised pursuant to section 95 of the Companies Act 1985 (the Act) to allot equity securities (within the meaning of section 94(2) to section 94(3A) of the Act) for cash pursuant to the authority conferred upon them for the purposes of section 80 of the Act by resolution passed on 29 May 2002 as if section 89(1) of the Act did not apply to any such allotment and provided that this power shall be limited:
 - (a) to allotments of equity securities where such securities have been offered (whether by way of rights issue, open offer or otherwise) to holders of Ordinary Shares of 10p each in the company (Ordinary Shares) where the equity securities are allotted in proportion (or as nearly as may be) to the respective number of Ordinary Shares held by them on the record date fixed by the directors provided that the directors may make such arrangements and exclusions to deal with fractional entitlements and with legal or practical problems arising under the laws of any territory or the requirements of any recognised regulatory body or any stock exchange in any territory as they consider necessary and expedient; and
 - (b) to the allotment (otherwise than pursuant to sub-paragraph (a) of this resolution) of equity securities wholly for cash up to an aggregate nominal amount of £406,984 representing approximately 5 per cent of the issued capital of the company;
 - (c) to the allotment for cash of up to 4,000,000 Ordinary Shares in connection with the scrip dividend offer referred to in Resolution 10; and
 - (d) this power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if the words "pursuant to the authority conferred upon them for the purposes of section 80 of the Act by resolutions passed on 29 May 2002" were omitted, and (unless previously renewed, revoked or varied) such power shall expire on the earlier of the conclusion of the next Annual General Meeting of the company and the date which is 15 months from the passing of this resolution, save that the company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired. **(Resolution 9)**
- 10 The directors be and are hereby authorised:
 - (a) To exercise the power contained in Article 140 of the Articles of Association of the company so that to the extent determined by the directors, the holders of Ordinary Shares of 10p each in the company (Ordinary Shares) be permitted to elect to receive new Ordinary Shares, credited as fully paid, instead of all or part of the final dividend for the twelve months ended 31 December 2003 (declared above).
 - (b) To capitalise the appropriate nominal amount of additional Ordinary Shares falling to be allotted pursuant to elections made as aforesaid, out of the distributable profits of the company which would otherwise have been distributed to members by dividend in cash, to apply such sum in paying up such Ordinary Shares and to allot such Ordinary Shares to members of the company who shall have validly so elected. **(Resolution 10)**
- 11 That the company be and is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of section 163(3) of the Companies Act 1985) on the London Stock Exchange of Ordinary Shares of 10 pence each in the company (Ordinary Shares) provided that:
 - (a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 8,139,674 (representing approximately 10 per cent of the company's issued ordinary share capital);
 - (b) the minimum price which may be paid for such Ordinary Shares is 10 pence per share (exclusive of expenses);

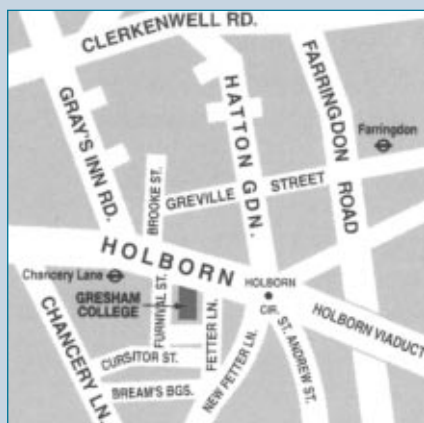
- (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is not more than 5 per cent above the average of the middle market values of an Ordinary Share as derived from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the Ordinary Share is purchased:
- (d) unless previously revoked or varied, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the company to be held in 2005 or within 12 months from the date of passing this resolution, whichever shall be the earlier; and
- (e) the company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts. **(Resolution 11)**

8-10 New Fetter Lane
London EC4A 1AF
Registered in England & Wales - Number 341829
22 March 2004

By order of the board
Michael Stevens
Secretary

NOTES

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the company.
2. To be valid, the instrument appointing a proxy, together with the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of such power or authority) must be deposited at the company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR not later than 48 hours before the time fixed for the meeting or if the meeting is adjourned not later than 48 hours before the time fixed for the adjourned meeting.
3. Completion and return of a proxy form will not preclude members from attending and voting at the meeting if they wish. A form of proxy is enclosed.
4. The following documents will be available for inspection at the Registered Office of the company on any weekday during normal business hours and will also be available from 10.15am on the day of the meeting at the place of the meeting until the close of the meeting:
 - a) A register in which are recorded all transactions of each director and of their family interests in the share capital of the company; and
 - b) A copy, or a memorandum of the terms, of every service contract between the company or any of its subsidiaries and any director of the company.



The Annual General Meeting will be held at Gresham College, Barnard's Inn Hall, Holborn, London EC1N 2HH.

The nearest tube station is Chancery Lane on the Central Line, 100 metres from Barnard's Inn.

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